GOVERNMENT

Boosting consumption, economic stabilization among top agendas at China's Two Sessions'

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China just concluded its most important annual political event, the Two Sessions, and indications are that it is good news for luxury brands. Image credit: New.cn

By Zihao Liu

This week, China concluded the plenary sessions of the National People's Congress and the Chinese People's Political Consultative Conference, which are referred to as the Two Sessions and considered to be the country's most important annual political events.

Stabilizing the economy and boosting domestic consumption were the order of the day.

In his government work report, outgoing premier Li Keqiang set 2023's GDP growth target at around 5 percent, 2 percentage points higher than 2022's actual GDP growth.

The report also pledges to create 12 million new jobs in urban areas and to steady the urban unemployment rate at around 5.5 percent.

Notably, increasing domestic consumption demand is listed as the top task for China's government this year. The work report "puts the recovery and expansion of consumption as the top priority" and promises to encourage spending and promote recovery.

The Jing Take: This year's iteration of the Two Sessions sought to boost companies' and investors' confidence in China's business environment.

With the country eager to exit its COVID-19-induced economic slump and key government positions transferring to new leaders, the Chinese administration set a tone of market stability.

Indeed, new premier Li Qiang, who is in charge of China's economic policy, delivered reassuring messages at his first press conference during the Two Sessions.

The premier said that the potential for China's private sector to develop will expand and that private entrepreneurs would be presented with great opportunities because of China's supersized market and demand growth.

Mr. Li played down the country's tense relationship with the United States, arguing that there is no benefit in "economic decoupling" but that there is huge potential for the two countries to cooperate. This suggests that China intends to avoid further confrontations with the U.S.

The signals emanating from the Two Sessions could materialize into favorable local policies for luxury brands.

For instance, during the sessions, Beijing unveiled a large-scale subsidy program intended to enhance the competitiveness of the city's retail environment.

Qualified companies that open their first store in Asia in Beijing will receive up to $720,000 (5 million RMB).

Lower subsidies are available for brands that make their mainland China debut in Beijing, or add a Beijing presence to their China operations.

In addition, effective Nov. 1, 2022, fashion, jewelry, accessories and beauty brands that host promotional events for their new releases in Beijing are eligible to receive as much as $290,000 (2 million RMB) in subsidies.

Beijing's new measures are just one example of how the Two Sessions' goal of increasing domestic consumption will manifest on the ground.

It is possible that other retail hubs, such as Chengdu or Suzhou, will launch similar incentives to attract more brands.

Local governments could also release more consumption vouchers. But regardless of what initiatives will be unveiled, luxury houses can rest assured that the China market will certainly present new opportunities in 2023.

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